

Exhibit A

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

CHRISTOPHER J. HADNAGY, an individual; and SOCIAL-ENGINEER, LLC, a Pennsylvania limited liability company,

Plaintiffs,

v.

JEFF MOSS, an individual; DEF CON COMMUNICATIONS, INC., a Washington corporation; and DOES 1-10; and ROE ENTITIES 1-10, inclusive,

Defendants.

Case No.: 2:23-cv-01932-BAT

**Expert Report of
Benjamin P. Thomas, CPA, CFE
September 11, 2024**

ALVAREZ & MARSAL VALUATION SERVICES, LLC
1111 Third Avenue, Suite 2450
Seattle, WA 98101

CONFIDENTIAL

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QUALIFICATIONS

1. I, Benjamin P. Thomas, am a Senior Director at Alvarez & Marsal Valuation Services, LLC. I specialize in economic damages calculations and business valuations for a variety of reasons including insurance claims, litigation, and non-litigation matters. I have been involved in hundreds of economic damages assignments, including engagements on behalf of insurance carriers as well as engagements on behalf of insured parties that have included business interruption claims, extra expenses, financial fraud, financial condition analysis, contract disputes, lost profits calculations, asset tracing, and other economic damages and forensic accounting projects.
2. I am a Certified Public Accountant (“CPA”) under the auspices of the American Institute of Certified Public Accountants and Washington Society of Certified Public Accountants. I am also a Certified Fraud Examiner (“CFE”) under the Association of Certified Fraud Examiners (“ACFE”). A Curriculum Vitae, along with a testimony list and a list of my presentations, is attached as Exhibit 1.

ASSIGNMENT

3. At the request of counsel to Christopher Hadnagy and Social-Engineer, LLC (“Social-Engineer”, the “Company”, or the “Plaintiffs”), I have calculated economic damages incurred, or that will be incurred, by the Plaintiffs since February 9, 2022, the date that the “Transparency Report” was released by the Defendants.¹ It is claimed that the release of the Transparency Report and the subsequent update on January 13, 2023 (“Update”), and other statements by the Defendants and/or its agents, caused irreversible damage to the Plaintiffs’ reputation and goodwill resulting in economic damages.

¹ Defendants include Jeff Moss and Def Con Communications, Inc. (“Def Con” or the “Defendants”).

4. My opinions are based on procedures and analyses that are utilized and relied upon regularly by professionals in the forensic accounting, business valuation and economic damages disciplines. The opinions in this report assume that liability will be found against the Defendants. I do not hold, and will not be expressing, an opinion regarding the allegations in this case. Based on this assumption, I have calculated certain economic damages, including lost income, extra expenses, and potential lost business value, as set forth in this report.
5. I reserve the right to supplement my opinions should additional relevant information be provided.

MATERIALS REVIEWED

6. When used hereinafter, “we” and/or “our” means me and/or persons working under my supervision and control. A list of documents I reviewed is shown in Exhibit 2, attached.

SUMMARY OF OPINIONS

7. Based on the information provided as of the date of this report, it is my opinion that Plaintiffs have incurred, or will incur, economic damages of \$2,270,186 due to the actions of the Defendants, such as the release of the Transparency Report on February 9, 2022 and subsequent Update released on January 13, 2023. Economic damages are comprised of \$578,186 in past lost income, which is inclusive of extra expenses, and \$1,692,000 in lost business value.

BACKGROUND

8. Mr. Hadnagy is the owner of Social-Engineer, an information security company.
9. Mr. Moss is the owner of Def Con. Def Con is an annual hacker convention which began in 1993, typically in August, in Las Vegas, Nevada.

10. Mr. Hadnagy and Social-Engineer have been regular attendees and participants of Def Con. The Plaintiffs have hosted a “village” (specifically, the “SEVillage”), developed games, and presented at Def Con since at least 2010.
11. On or about February 9, 2022, the Defendants placed a lifetime ban on Plaintiffs from Def Con, which was released via the Transparency Report. There was an Update on or about January 13, 2023 to the Transparency Report, which further damaged Plaintiffs.
12. It is alleged that Plaintiffs have suffered economic damages in the form of lost income, extra expenses related to public relations and legal expenses, and lost business value due to the actions of the Defendants.

A&M's ECONOMIC DAMAGES ANALYSIS

13. In order to assess the economic damages sustained by Mr. Hadnagy and Social-Engineer due to the Transparency Report and Update, I reviewed and analyzed Mr. Hadnagy’s personal tax returns and the Company’s historical operations and assessed its future potential operations. I measured the past lost income sustained by Mr. Hadnagy for 2022 and 2023 and future lost income in the form of potential diminution in value. Inclusive in the past lost income, I measured the increased operating costs related to public relations and professional fees in 2022 and 2023.

Financial Statement Analysis

14. Often, an important step in estimating economic damages is an analysis of the individuals and/or entity’s historical financial performance. A historical analysis can provide insight into trends that can be utilized to assess potential damages due to specific events such as the release of the Transparency Report and Update. Financial information for Mr. Hadnagy was obtained from personal tax returns from 2017 through 2022 as well as Social-Engineer’s

internal historical income statements for the years ended December 31, 2018 through December 31, 2023.

15. As shown in Schedule 1, income from Social-Engineer and the related SEVillage LLC totaled [REDACTED] in 2017, [REDACTED] in 2018, [REDACTED] in 2019, [REDACTED] in 2020, and [REDACTED] in 2021, the year prior to the release of the Transparency Report. After the release of the Transparency Report, a Hadnagy income loss of [REDACTED] related to Social-Engineer and SEVillage LLC.
16. As shown in Schedule 2, Social-Engineer's revenue grew from [REDACTED] in 2018 to [REDACTED] in 2021 and totaled [REDACTED] in 2022, before decreasing to [REDACTED] in 2023. Although revenue remained flat in 2022 at [REDACTED], the profitability of the business decreased, resulting in an operating loss of [REDACTED] in 2022 compared to an operating income of [REDACTED] in 2021. The Company incurred an operating loss of [REDACTED] in 2023.
17. The Plaintiffs' assert that statements by the Defendants and/or their agents, including the release of the Transparency Report and the Update are the cause of the negative financial performance in 2022 and 2023 and beyond. The Plaintiffs have cited specific contracts that ended in 2022 and 2023² that have negatively impacted revenue due to the Transparency Report and the Update.

Lost Income

18. As previously stated, I was asked to evaluate the economic damages that have been, or will be, incurred, by Mr. Hadnagy and Social-Engineer as a result of the Defendants' actions, including the release of the Transparency Report on February 9, 2022 and the Update on January 13, 2023. Economic damages can be calculated by determining the pre-incident income capacity, "but for" income, and then subtracting any actual and/or expected future

² Plaintiffs' Responses to Defendant Def Con Communications, Inc.'s First Set of Discovery and Plaintiffs' Amended Responses to Defendant Def Con Communications, Inc.'s First Set of Discovery.

income. Total lost income should be calculated over an appropriate damage period and reduced to present value, where applicable.

19. Mr. Hadnagy's income totaled [REDACTED] in 2020 and [REDACTED] in 2021, prior to the Transparency Report and the Update. I have assumed that Mr. Hadnagy's "but for" income was approximately [REDACTED] on a go forward basis.
20. As shown in the table below, lost income has been calculated for 2022 and 2023 and totaled \$578,186. When financial information for 2024 is made available, I anticipate updating the lost income analysis.

Year	But For Income	Less: Actual Loss	Lost Income
2022	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
2023	\$ [REDACTED]	\$ [REDACTED]	\$ [REDACTED]
Total			\$ 578,186

21. Included in the foregoing lost income amount is [REDACTED] in professional fees and [REDACTED] in public relations costs.

Lost Business Value

22. Given the financial losses incurred by Mr. Hadnagy and Social-Engineer in 2022 and 2023, potential future economic damages can be estimated by a loss in business value. The potential loss of business value can be estimated by valuing Social-Engineer prior to the Transparency Report on February 9, 2022 and/or the Update on January 13, 2023.
23. In general, there are three approaches available when valuing a closely held business interest: the cost approach, the income approach, and the market approach. While all three have been considered, I selected the market approach, specifically the guideline transaction method.
24. The guideline transaction method involves determining valuation multiples from sales of companies with financial and operating characteristics similar to the subject company and applying the valuation multiples derived from those transactions to the subject company. In

this instance, a search for companies sufficiently comparable to Social-Engineer revealed 14 guideline transactions over a relevant historical period. The guideline transaction method was used to estimate a loss in business value.

25. Under the guideline transaction method, transaction prices and financial metrics are examined and resulting valuation multiples are calculated for transactions of companies engaged in businesses that are considered to have financial and operating characteristics similar to those of the subject company.
26. I selected multiples of cash-adjusted enterprise value-to-revenue as the most relevant valuation metrics, given the correlation observed in the data set. The following table displays the revenue multiples derived from the selected guideline transactions.

	25 th Percentile	Median	Mean	75 th Percentile	High
MVIC/ Revenue	0.7 x	0.9 x	1.6 x	2.7 x	3.9 x

27. As shown in the table below, applying the selected revenue multiple of [REDACTED] to Social-Engineer's revenue of [REDACTED] in 2021 implies an enterprise value of \$1.692 million.

Lost Value		2021
Financial Statistic	Revenue	
Selected Multiple	\$ [REDACTED]	
Enterprise Value	\$	1,692,000

CONCLUSION

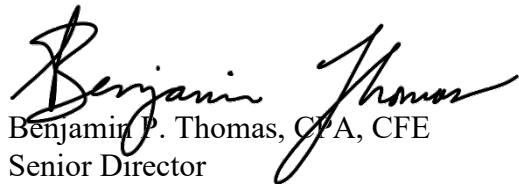
28. Based on the information provided as of the date of this report, it is my opinion that Plaintiffs have incurred, or will incur, economic damages of \$2,270,186 due to the actions of the Defendants, such as the release of the Transparency Report on February 9, 2022 and subsequent Update released on January 13, 2023. Economic damages are comprised of \$578,186 in past lost income, which is inclusive of extra expenses, and \$1,692,000 in lost business value.

FEES

29. Alvarez & Marsal Valuation Services, LLC (“A&M Valuation”) is compensated for my time on this matter at a rate of \$525 per hour. In addition to my own time, I directed other A&M Valuation professionals who performed supporting work and analyses in connection with my preparation of this report at hourly rates ranging from \$225 to \$475.

SIGNATURE

30. I completed this report on September 11, 2024.



Benjamin P. Thomas, CPA, CFE
Senior Director

CURRICULUM VITAE**BENJAMIN P. THOMAS, CPA, CFE****PROFESSIONAL EXPERIENCE****Alvarez & Marsal Valuation Services, LLC – Senior Director**

Benjamin P. Thomas is a Senior Director with Alvarez & Marsal Valuation Services, LLC in Seattle, Washington. As a forensic accountant and CPA, he specializes in determining and analyzing factual matters by examining accounting, operating and financial records, and interpreting and communicating these financial facts along with calculations and recommendations. His primary areas of concentration are in connection with economic damage quantifications and business valuations in insurance and litigation matters.

With more than fifteen years of accounting experience, Mr. Thomas has been involved in engagements that include business interruption, extra expense, inventory, physical damage, loss of rent, fraud, financial condition, embezzlement, product liability, recall, contamination, lost profit, personal injury, wrongful death, breach of contract, arbitration, and catastrophe services. Mr. Thomas has been involved in complex business valuations in various industries that include manufacturing, finance, construction, technology, investment, retail, hospitality, publishing, agriculture, marketing, restaurant, entertainment, information technology, insurance, accounting, and transportation, among many others.

With a broad base of experience, Mr. Thomas is able to support clients in complex business disputes, business valuations, and the analysis of economic losses.

Matson, Driscoll & Damico – Senior Accountant

Prior to joining Alvarez & Marsal Valuation Services, Mr. Thomas spent two separate stints spanning over four years with Matson, Driscoll & Damico, where he was most recently a Senior Accountant and held a leadership role in developing and managing the Seattle branch.

Peterson Sullivan PLLC – Associate Accountant

Prior to re-joining Matson, Driscoll & Damico, Mr. Thomas was in public accounting for a large regional tax and audit firm, Peterson Sullivan PLLC.

EDUCATION & PROFESSIONAL QUALIFICATIONS

Mr. Thomas holds a Bachelor's in Accounting from Seattle Pacific University. Mr. Thomas is a Certified Public Accountant (CPA) under the auspices of the American Institute of Certified Public Accountants and the Washington Society of Certified Public Accountants. He is a Certified Fraud Examiner (CFE) under the Association of Certified Fraud Examiners (ACFE).

EXHIBIT 1**CURRICULUM VITAE****BENJAMIN P. THOMAS, CPA, CFE****COURT/ ARBITRATION/ DEPOSITION TESTIMONY AND MEDIATION EXPERIENCE**

5/16 Sigue Corporation v. Hartford Casualty Insurance Company; Mediation

8/16 In re: the Marriage of Dr. Eric Holland and Dimitria Holland; Arbitration Testimony

3/17 In re: the Marriage of Christopher Saitta and Ceona Saitta; Mediation

5/17 Smeraldo Restaurant, Inc. dba Il Terrazzo Carmine v. Hudson Pacific Properties, Inc.; Deposition

11/17 Apparel Web, LLC and Ofer Kahana v. Sentinel Insurance Company, Limited, et al.; Mediation

1/18 In re: the Marriage of Christina M. Hensrude and Scott T. Hensrude; Deposition

2/18 In re: the Marriage of Christina M. Hensrude and Scott T. Hensrude; Court Testimony

7/18 In re: the Marriage of Ray Neyens and Kristina Neyens; Court Testimony

7/18 Lioness Holdings, LLC dba Tan Republic v. Sentinel Insurance; Court Testimony

9/18 Melissa Trainer v. USAA Casualty Insurance Company; Deposition

10/18 In re: the Marriage of Kenneth A. Schneider and Amannda Elaine Schneider; Arbitration Testimony

4/19 In re: the Marriage of Alex W. Cohen and Dana F. Kovalchick; Deposition

6/19 In re: the Marriage of Shane Goodpaster and Tina Goodpaster; Trial

11/19 Mark Caplin and CE Group, LLC v. Cultivar Farms, LLC; Arbitration Testimony

1/20 Rosanna Keena v. Raley's dba Nob Hill Foods; Deposition

2/20 Donald Benton, Susan Rice, and Christopher Clifford v. Clark County; Deposition

3/20 OrionHealth Care USA, Inc. v. Josh Cobbley and K2 Capital, LLC; Deposition

1/21 In re: the Marriage of Kevin Chadwick and Anna Marie Chadwick; Mediation

4/21 Votiv, Inc. v. Bay Vista Owner LLC, Bay Vista Building Association, Bay Vista Building, Vista Residential Tower Association, The CWD Group, Inc., and Tatley-Grund, Inc.; Deposition

CURRICULUM VITAE**BENJAMIN P. THOMAS, CPA, CFE****COURT/ ARBITRATION/ DEPOSITION TESTIMONY AND MEDIATION EXPERIENCE (CONTINUED)**

5/21 Henry H. Ketcham Lumber Company, Inc. d/b/a Cambridge Apartments, d/b/a Woodland Estates v. Claimco Inc.; Michael Edmunds; Atlas Consulting, LLC; Boh Ramsey; Capital Insurance Group; and Eagle West Insurance Company; Deposition

5/21 Donald Benton, Susan Rice, and Christopher Clifford v. Clark County; Court Testimony

7/21 David Moorehouse and Steelhead Communications, Inc. v. Jolene Moorehouse and Steelhead Montana LLC; Arbitration Testimony

9/21 In re: the Marriage of Katy Grannan and John McNeil; Settlement Conference

10/21 Chi Chi Beignet Inc. d/b/a Biscuits and Blues v. Saeed Khan individually and d/b/a Jack in the Box, Gul Food Management, Inc., Jack in the Box, Inc., Foodmaker International Franchising, Inc., Jack in the Box Properties, LLC, Meian Enterprises Inc.; Deposition

12/21 In re: the Marriage of Christine Greenberg and Clifford Greenberg; Court Testimony

2/22 In re: the Marriage of Christine Greenberg and Clifford Greenberg; Deposition

3/22 In re: the Marriage of Kristin N. Harper and Benjamin Stoner-Duncan; Arbitration Testimony

4/22 In re: the Marriage of Rigele Abilock and Jan Mikkelsen; Deposition

8/22 In re: the Marriage of Stacy Oster and Angela Oster; Mediation

9/22 Daesung Oh and Alan Yu v. Kenzo Sudo, Advan International Corporation; Deposition

10/22 In re: the Marriage of Kevin Calhoun and Erika Calhoun; Court Testimony

10/22 FC Leschi, LLC dba BluWater Bistro v. Hartford Fire Insurance Company; Sentinel Insurance Company LTD; Deposition

2/23 In re: the Marriage of W. Graham Smith and Karen McNeill; Arbitration Testimony

2/23 In re: the Marriage of Shauna K. Temple and James D. Temple; Court Testimony

3/23 Jeoung Lee and Sherri McFarland v. Evergreen Hospital Medical Center; Deposition

3/23 In re: the Marriage of Katy Grannan and John McNeil; Settlement Conference

EXHIBIT 1**CURRICULUM VITAE****BENJAMIN P. THOMAS, CPA, CFE****COURT/ ARBITRATION/ DEPOSITION TESTIMONY AND MEDIATION EXPERIENCE (CONTINUED)**

5/23 In re: the Marriage of Jesse Robbins and Thuy Do; Court Testimony

6/23; Jeoung Lee and Sherri McFarland v. Evergreen Hospital Medical Center; Court
7/23 Testimony

3/23; In re: the Marriage of Christine Greenberg and Clifford Greenberg; Court Testimony
8/23

10/23 Maneto Vazquez Pina v. Lamb Weston Inc.; Deposition

10/23 Akeem Eleam and Nathaniel Hayes v. University of Washington; Deposition

10/23 In re: the Marriage of David Zager and Ailsa Marshall; Court Testimony

10/23 Jens Richter dba Global Equine Sires and A-1 Performance Sires v. Allie Helinski and
Brent Helinski; Court Testimony

11/23 In re: the Marriage of Jeffrey Ervin and Traci Sammeth; Court Testimony

11/23 In re: the Marriage of Wendy Pabich and John Murkowski; Arbitration Testimony

11/23 Sawyer Falls Co. LLC v. Capri Investments LLC; Deposition

12/23 Sean Mesnick v. Cascade Sawing & Drilling, Inc.; Deposition

12/23 Ideal Option, PLLC v. Community Health Plan of Washington; Deposition

1/24 Sawyer Falls Co., LLC v. Capri Investments LLC; Court Testimony

6/24 In re: the Marriage of Parni Bali and Kanishk Sharan; Court Testimony

8/24 In re: the Marriage of Sabrina I. Booth and Jefferson A. Angell; Court Testimony

CURRICULUM VITAE**BENJAMIN P. THOMAS, CPA, CFE****SPEECHES / PUBLICATIONS**

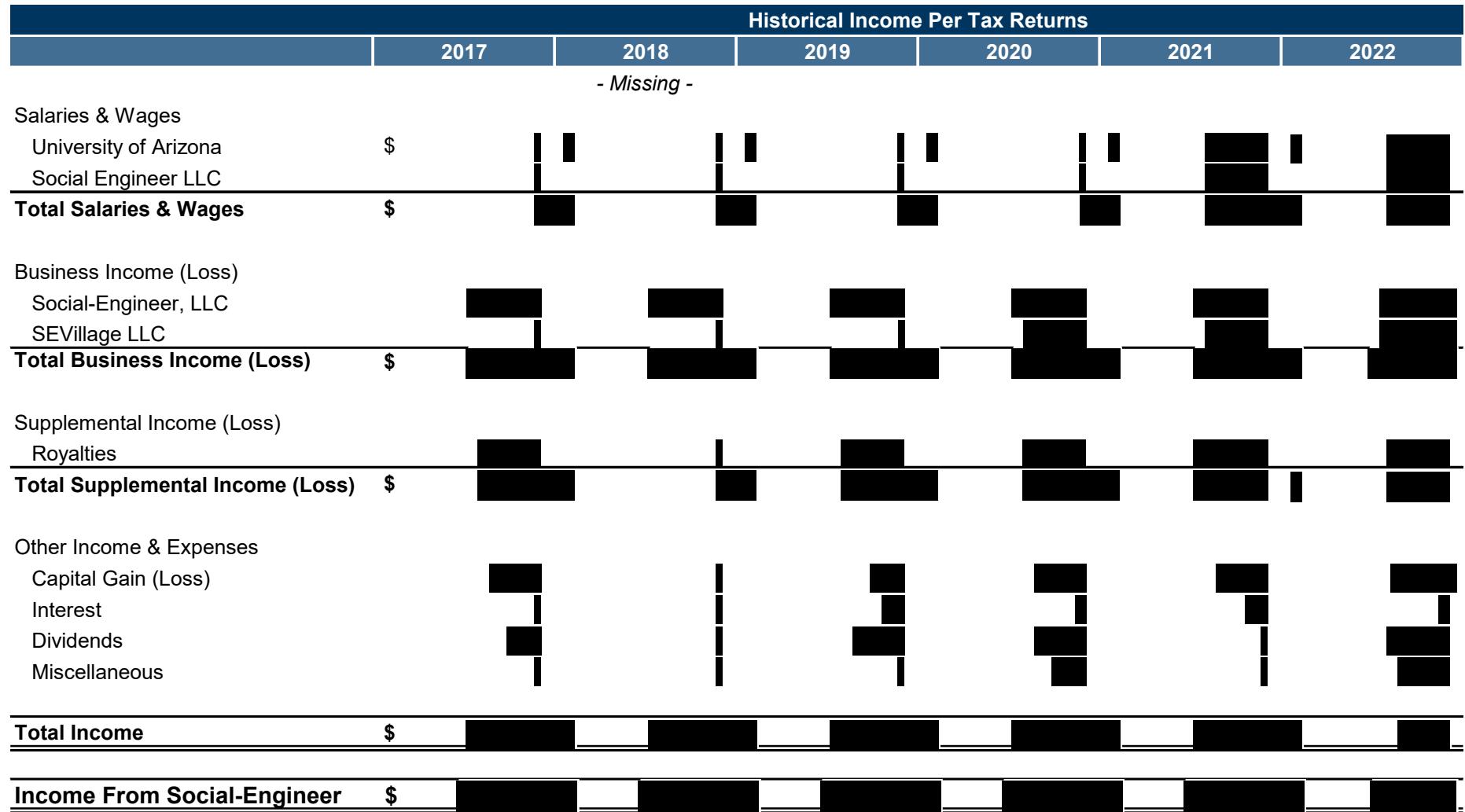
Venue	Date	Subject
K&L Gates	7/13	Accounting for Lawyers
Claims and Litigation Management Alliance	9/17	What to Expect: Construction Claims
Clear Law Institute	2/18	Divorce and Division of Stock Options and Restricted Stock Units
Strafford	4/18	Divorce Under Tax Reform: Eliminating Support Payment Tax Benefits and Other Changes
Strafford	8/17, 8/18, 12/19, 10/21	Divorce and Division of Stock Options and Restricted Stock Units: Identifying, Classifying and Valuing Options and RSUs for Equitable Distribution and/or Income Availability
Strafford	2/20	Double Dipping and Business Valuations in Divorce: Navigating Equitable Distribution and Spousal Support
University of Washington	1/21, 1/22, 1/23	Strategic Technology Transfer: Valuation of Intellectual Property
King County Bar Association	10/21	Stock Options & Restricted Stock Units: Identifying, Classifying and Valuing Options and RSU for Distribution and/or Income
University of Washington	1/24	Business Valuation, Valuation of Intellectual Property, and Economic Damages Case Study

EXHIBIT 2**Documents Received and/or Reviewed and Considered**

- Hadnagy. Nevada Complaint (00540399xC640E).PDF
- Plaintiffs Amended Responses to Def Con's First Set of Discovery Requests (00553698xC640E).pdf
- Plaintiffs# Responses To Defendant DEF CON Communications, Inc.'s First Set of Discovery (00549896xC640E).pdf
- ContractsLost.xlsx
- CONFIDENTIAL-SECOM-2018-ProfitandLoss.pdf
- CONFIDENTIAL-SECOM-2019-ProfitandLoss.pdf
- CONFIDENTIAL-SECOM-2020-ProfitandLoss.pdf
- CONFIDENTIAL-SECOM-2021-ProfitandLoss.pdf
- CONFIDENTIAL-SECOM-2022-ProfitandLoss.pdf
- CONFIDENTIAL-SECOM-2023-ProfitandLoss.pdf
- CONFIDENTIAL-Hadnagy 2018 Tax Returns.pdf
- CONFIDENTIAL-Hadnagy 2017 Tax Returns.pdf
- CONFIDENTIAL-Hadnagy 2018 Schedule C.pdf
- CONFIDENTIAL-Hadnagy 2019 Tax Return.pdf
- CONFIDENTIAL-Hadnagy 2020 Tax Returns.pdf
- CONFIDENTIAL-Hadnagy 2021 Tax Return.pdf
- CONFIDENTIAL-Hadnagy 2022 Tax Returns.pdf
- CONFIDENTIAL-Hadnagy 2016 Tax Returns.pdf
- CONFIDENTIAL-2018Profit and Loss.pdf
- CONFIDENTIAL-2019Profit and Loss.pdf
- CONFIDENTIAL-2020Profit and Loss.pdf
- CONFIDENTIAL-2021Profit and Loss.pdf
- CONFIDENTIAL-2022Profit and Loss.pdf
- CONFIDENTIAL-2023Profit and Loss.pdf
- CONFIDENTIAL-SECOM - 2017 Profit and Loss by Month.pdf
- CONFIDENTIAL-SECOM - 2018 Profit and Loss by Month.pdf
- CONFIDENTIAL-SECOM - 2019 Profit and Loss by Month.pdf
- CONFIDENTIAL-SECOM - 2020 Profit and Loss by Month.pdf
- CONFIDENTIAL-SECOM - 2021 Profit and Loss by Month.pdf
- CONFIDENTIAL-SECOM - 2022 Profit and Loss by Month.pdf
- CONFIDENTIAL-SECOM - 2023 Profit and Loss by Month.pdf
- Info you asked for.htm
- Certs.htm
- CONFIDENTIAL-2017-W2-1.pdf
- CONFIDENTIAL-2018-W2-1.pdf
- CONFIDENTIAL-2019-W2-1.pdf
- CONFIDENTIAL-2020-W2-1.pdf
- CONFIDENTIAL-2021-W2-1.pdf
- CONFIDENTIAL-2022-W2-1.pdf
- CONFIDENTIAL-2023-W2-1.pdf
- CONFIDENTIAL-SECOM Employees (08052024-050503).xlsx

Hadnagy and Social-Engineer v. Moss and Def Con
Economic Damages Analysis
Summary of the Hadnagys' Personal Tax Returns

Schedule 1



Hadnagy and Social-Engineer v. Moss and Def Con

Economic Damages Analysis

Social-Engineer Internal Income Statements

Schedule 2